



## INSPECTOR GENERAL REPORT

2006-11-0322

April 24, 2007

### INDIANA STATE LIBRARY

*OIG Staff Attorney Amanda Schaeffer and Inspector General David O. Thomas, after an investigation by Special Agent Dave Clark, report as follows:*

This investigation addresses the Indiana State Library (“Library”) and the municipal corporation known as the Indiana Cooperative Library Services Authority (INCOLSA).

In summary, the Office of Inspector General (OIG) joins the recommendation of the Government Efficiency and Financial Planning (GEFP) group of the Office of Management and Budget, which recommends that appropriations be redirected from INCOLSA to the Library.

I.

A.

#### History and Relevant Law

The Library and the Indiana State Library Board (“Board”) are created statutorily in IC §4-23-7 and IC §4-23-7.1 respectively. The Board oversees the functions and duties

of the Library. There are many duties charged to the Library, which include licensing librarians, providing library services to state government and citizens, and strengthening the services of all types of publicly and privately supported libraries. IC §4-23-7.1-2.

The Board may receive and administer state or federal aid which becomes available for the improvement and development of library services in Indiana. IC §4-23-7-2. The Board appoints a Director to be the chief administrative officer of the Library. IC §4-23-7.1-37. The Director may be removed by the Board at any time for cause. IC §4-23-7.1-37(c).

In addition to the Library and the Board, the Legislature created a third entity, the Indiana State Library Advisory Council (“Council”). IC §4-23-7.1-39. The Council advises the Board and Director on many matters, including general policies, plans or programs for library development, and library research.

In addition to the Library, Board and Council, there are at least three private entities associated with the Library. One is the Library Federation (“Federation”). The Federation is composed of librarians from around the state. There is also the Library Foundation (“Foundation”), which is a private entity established by a previous Director. One of the purposes of the Foundation is to support the Library through fundraising. The Library Association and Friends of the Library (“Association”) is a third private entity that is not directly connected to the Library. The Association consists of members of various communities who are interested in securing library services for their local library.

In addition to the existence of these three private entities and the Library, Board, and Council, statute provides enabling language for the formation of “library services authorities” under IC §36-12-8-5. INCOLSA coalesced under the framework set forth in

this provision, with the intent of providing information sharing services and support to member libraries. In theory, INCOLSA can provide services and support to libraries around the state at a cost lower than what it would cost each library to secure individually. INCOLSA receives both state and federal funding to provide these services. By way of Build Indiana Funds, INCOLSA also operates INSPIRE, which is Indiana's "virtual library" that provides online access to research resources and multiple print media publications and documents.

A General Fund line item appropriation has been made to INCOLSA in the past several Budget Bills. In addition, IC §4-23-7.1-30 directs the Library to distribute funds appropriated by the General Assembly to the cooperative library services authority when the appropriation is made for the purpose of the "cooperative library services authority".

Under IC §4-23-7.1-30(c), the cooperative library services authority must submit to the Library for approval a service plan and a budget request with a justification no later than May 1 of each year. The cooperative library services authority must also submit to the Library quarterly reports in compliance with the approved service plan and budget request.

## B.

### Investigation

#### 1.

### Office of Budget and Management GEFP Recommendations

Simultaneous to this OIG investigation, GEFP of the Office of Management and Budget conducted a PROBE (Program Results: an Outcome Based Evaluation) of

INCOLSA and reported its findings in December of 2006. An excerpt of their report is as follows:

The Indiana Cooperative Library Services Authority (INCOLSA) is required by state statute to provide quarterly reports to the State Library in order to remain eligible for state appropriations and federal grants. Until this year, *these reports did not detail how any of these taxpayer funds were actually spent*. As such, it has been able to accumulate a **\$7.5 million** balance. State statute does empower INCOLSA to retain a fund balance; however, the law requires the money be reserved for a specific purpose. No purpose other than for “cash flow” has been identified.

The report went on to recommend that activities performed by INCOLSA but funded by state general fund dollars should be redirected to the Library. It stated that “funding should be retained by [the] State Library for improved accountability.”

The PROBE report evaluates four categories: program purpose and design, program planning, program management, and program results. These sections are rated on a scale with 100% being the highest score. In each of these categories, INCOLSA scored 80, 25, 50, and 33, respectively.

The PROBE report also issues a rating of how program objectives have been met. The rating for INCOLSA was “results not measured,” meaning that INCOLSA does not have a method to evaluate the effectiveness of its programs.

2.

OIG Investigation

The OIG was requested to investigate several areas concerning the interaction of the Library, Board and INCOLSA, including the same matters addressed by the GEFP PROBE. The OIG investigation included multiple interviews and the review of supporting documents. Legal research was conducted. The GEFP report was also reviewed.

The OIG investigation revealed evidence which supports the GEFP recommendations, including: (1) INCOLSA has not submitted complete financial information with its budget submissions as required by the statute, (2) INCOLSA has accumulated a large reserve of money, and (3) no purpose was identified by INCOLSA to justify the reserve of funds. The OIG investigation supported the findings of the PROBE report and revealed no evidence to contradict any of the findings made by the GEFP PROBE.

II.

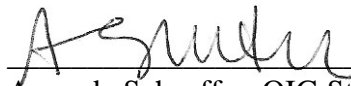
The OIG asserts jurisdiction under IC §4-2-7-2(b) which charges the Inspector General to address fraud, waste, abuse, and wrongdoing in state agencies. IC §4-2-7-3(2) also charges the Inspector General to recommend policies and carry out other activities designed to deter, detect, and eradicate fraud, waste, abuse, mismanagement, and misconduct in state government.

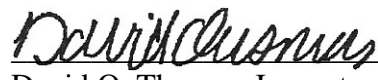
### III.

Based upon the above information, the OIG joins the Office of Management and Budget GEFP findings and recommends that the PROBE recommendations be implemented. The OIG understands a proposed version of HB 1001-2007 reflects the recommendations made by the PROBE and eliminates the General Fund line item appropriation that was previously made to INCOLSA. This proposed version of the budget redirects a great deal of those dollars to the State Library under “statewide library services.” This would allow the State Library to control the funds needed to provide cooperative, statewide library services with improved accountability as recommended by the PROBE report.

For all the above reasons, the OIG joins and recommends the implementation of the GEFP PROBE recommendations regarding funding of the State Library.

Dated this 24<sup>th</sup> day of April, 2007.

  
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David O. Thomas, Inspector General